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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

Arizona Corporation Commission

DOCKETED

LEA MÁRQUEZ PETERSON - Chairwoman
SANDRA D. KENNEDY
JUSTIN OLSON
ANNA TOVAR
JIM O'CONNOR

MAY 18 2021

DOCKETED BY

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In the matter of:

Resa Wearables, Inc., a Delaware corporation,

Glen D. Hinshaw, an unmarried man,

Respondents.

DOCKET NO. S-21109A-20-0186

DECISION NO. 78000

**ORDER TO CEASE AND DESIST, ORDER
FOR RESTITUTION, AND ORDER FOR
ADMINISTRATIVE PENALTIES AND
CONSENT TO SAME
BY: RESPONDENTS RESA WEARABLES,
INC. AND GLEN D. HINSHAW**

Respondents Resa Wearables, Inc. and Glen D. Hinshaw ("Respondents") elect to permanently waive any right to a hearing and appeal under Articles 11 and 12 of the Securities Act of Arizona, A.R.S. § 44-1801 *et seq.* ("Securities Act") with respect to this Order to Cease and Desist, Order for Restitution, and Order for Administrative Penalties and Consent to Same ("Order"). Respondents admit the jurisdiction of the Arizona Corporation Commission ("Commission"); neither admit nor deny the Findings of Fact and Conclusions of Law contained in this Order; and consent to the entry of this Order by the Commission.

I.

FINDINGS OF FACT

1. Resa Wearables, Inc. ("Resa") is a corporation organized under the laws of the state of Delaware on February 3, 2017. Since February 27, 2017, Resa has been authorized to conduct business in Arizona with an Arizona place of business in Prescott, where Resa had an office and a production facility.

1 2. Since at least August 2016, Glen D. Hinshaw ("Hinshaw") has been an Arizona resident
2 and an unmarried man.

3 3. Hinshaw has been the Chief Executive Officer of Resa since at least September 20, 2017.
4 Hinshaw has been a signer on Resa's bank accounts since March 28, 2017.

5 4. Resa is a company that sold 3D printed custom insoles for shoes. From approximately
6 late 2017 to October 2018, Resa operated roadshows consisting of kiosks that travelled between retail
7 locations. The kiosks were points of sale for insoles and had equipment to scan customers' feet and
8 3D print custom insoles for them.

9 5. Resa raised capital by selling convertible notes and later stock to investors.

10 6. Resa sold convertible notes ("Convertible Notes") from June 29, 2017, to February
11 18, 2018, raising money from 12 investments. The Convertible Notes promised a 6% interest rate
12 and a one-year maturity date. The terms of the Convertible Notes state that they convert automatically
13 to Resa stock if before the maturity date Resa sells a total of \$2,500,000 of stock, merges with another
14 company, or sells substantially all of its assets. The terms of the Convertible Notes also state that a
15 note does not actually mature until the investor requests repayment on or after the nominal maturity
16 date and that Resa is not allowed to repay a Convertible Note without the investor's approval.
17 Therefore, Convertible Note investors who wanted to convert their investment to stock had the right
18 to hold the notes as long as they wanted, waiting for an event that would trigger the stock conversion.
19 The Convertible Notes state that they are subject to securities laws.

20 7. Resa sold its stock ("Stock") from May 6, 2018, to September 18, 2018, raising money
21 from 17 investments. Six of the Stock investments were made by investors who had previously
22 invested in the Convertible Notes a few months earlier.

23 8. Resa and Hinshaw often solicited potential investors in Prescott using a PowerPoint
24 presentation and sometimes provided potential investors a copy of the presentation and/or product
25 marketing materials. Hinshaw told potential investors about Resa, its technology, its products, its
26 marketing materials, and its presence in Costco and other retailers.

1 9. Resa's PowerPoint presentation for investors described Resa's history, its product, its
2 business process, and its objective to expand its kiosk operation within Costco. At least one version of
3 the investor presentation included projected kiosk revenue and included a biography of Hinshaw touting
4 his "over 30 years of experience in entrepreneurship, starting and operating successful businesses," but
5 failing to disclose any negative information about Hinshaw's background.

6 10. Some of Resa's investors were referred to Resa by the City of Prescott Economic
7 Development Office, which worked with a finder that Resa hired to identify potential investors. Resa
8 also recruited an investor who was not a licensed securities salesman or dealer to refer potential investors
9 to Resa in exchange for a commission. This investor referred approximately 40% of Resa's Convertible
10 Note investors and approximately 60% of Resa's Stock investors. Resa did not have any system to
11 supervise what potential investors were told about Resa.

12 **Failure to Disclose Prior Fraud Judgment Against Hinshaw**

13 11. Hinshaw was previously an investment advisor representative, and three of Hinshaw's
14 former investment advisory clients sued him in 2011, alleging that Hinshaw defrauded them by tricking
15 them into investing in a Ponzi scheme that Hinshaw controlled and used to pay himself extravagant
16 management fees. Hinshaw eventually stipulated to a \$2,800,000 judgment ("Stipulated Judgment")
17 against him in favor of those former clients. Hinshaw has never made any payment toward the Stipulated
18 Judgment.

19 12. The Stipulated Judgment was based on Hinshaw's false pretenses, false
20 representation, actual fraud, and/or materially false written statements with intent to deceive. The
21 Stipulated Judgment was also based on fraud, defalcation, embezzlement, and/or larceny by
22 Hinshaw. The Stipulated Judgment was also based on Hinshaw's violation of a Federal or state
23 securities law, regulation, or order and/or was based on common law fraud, deceit, and/or
24 manipulation by Hinshaw in connection with the purchase or sale of a security.

25 13. Hinshaw and Resa failed to disclose the Stipulated Judgment to at least four of Resa's
26 investors. Hinshaw did not disclose the Stipulated Judgment even to Resa's in-house attorney, who

1 was responsible for drafting Resa's investment documents and disclosures. When an investor
2 eventually did learn that there was a judgment against Hinshaw, Hinshaw lied to the investor and
3 claimed the judgment resulted from a divorce.

4 **Failure to Disclose Resa's Overdue Purchase Order Payments**

5 14. Resa had a manufacturing agreement with a company that manufactured Resa's
6 roadshow kiosks. The agreement was exclusive and forbade Resa from using any other company to
7 manufacture any products, including kiosks, for the North American market. The agreement also
8 gave the manufacturer's president a seat on Resa's board of directors. The agreement required Resa
9 to pay for each kiosk within seven days of submitting a kiosk purchase order to the manufacturer.
10 The agreement also entitled Resa to \$833,000 worth of kiosks in exchange for Resa stock. By the
11 end of May 2018, Resa had far exceeded the \$833,000 limit of paid-for kiosks. By the end of June
12 2018, Resa had not fully paid the manufacturer for all purchase orders within 7 days, thus violating
13 the payment terms of its exclusive manufacturing agreement.

14 15. Hinshaw and Resa failed to disclose these overdue purchase order payments to at least
15 one investor that they solicited to invest.

16 16. Resa's overdue purchase order payments were soon devastating for Resa when the
17 manufacturer sued in October 2018 for Resa's failure to pay. The lawsuit forced Resa to end its kiosk
18 roadshow and lay off most of its staff. The lawsuit also scuttled a pending \$5,000,000 investment
19 and prevented Resa from raising further investments. Resa now cannot afford to resume its kiosk
20 roadshow.

21 17. The investors to whom Hinshaw and Resa failed to disclose the Stipulated Judgment
22 and/or the overdue purchase order payments invested a total of at least \$376,000.

23 **II.**

24 **CONCLUSIONS OF LAW**

25 1. The Commission has jurisdiction over this matter pursuant to Article XV of the
26 Arizona Constitution and the Securities Act.

2. Respondents offered or sold securities within or from Arizona, within the meaning of A.R.S. §§ 44-1801(16), 44-1801(22), and 44-1801(27).

3. Respondents violated A.R.S. § 44-1991 by (a) employing a device, scheme, or artifice to defraud, (b) making untrue statements or misleading omissions of material facts, or (c) engaging in transactions, practices, or courses of business that operate or would operate as a fraud or deceit.

4. Respondents' conduct is grounds for a cease and desist order pursuant to A.R.S. § 44-2032.

5. Respondents' conduct is grounds for an order of restitution pursuant to A.R.S. § 44-2032.

6. Respondents' conduct is grounds for administrative penalties pursuant to A.R.S. § 44-2036.

III.

ORDER

THEREFORE, on the basis of the Findings of Fact, Conclusions of Law, and Respondents consent to the entry of this Order, attached and incorporated by reference, the Commission finds that the following relief is appropriate, in the public interest, and necessary for the protection of investors:

IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondents, and any of Respondents' agents, employees, successors, and assigns, permanently cease and desist from violating the Securities Act.

IT IS FURTHER ORDERED that Respondents comply with the attached Consent to Entry of Order.

IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondents shall, jointly and severally, pay restitution to the Commission in the principal amount of \$376,000 as a result of the conduct set forth in the Findings of Fact and Conclusions of Law. Payment is due in full on the date of this Order. Payment shall be made to the "State of Arizona" to be placed in an interest-bearing account controlled by the Commission.

1 IT IS FURTHER ORDERED that the restitution ordered in the preceding paragraph will
2 accrue interest, as of the date of the Order, at the rate of the lesser of (i) ten percent per annum or (ii)
3 at a rate per annum that is equal to one per cent plus the prime rate as published by the board of
4 governors of the federal reserve system in statistical release H.15 or any publication that may
5 supersede it on the date that the judgment is entered.

6 The Commission shall disburse the funds on a pro-rata basis to investors shown on the records
7 of the Commission. Any restitution funds that the Commission cannot disburse because an investor
8 refuses to accept such payment, or any restitution funds that cannot be disbursed to an investor
9 because the investor is deceased shall be disbursed on a pro-rata basis to the remaining investors
10 shown on the records of the Commission. Any funds that the Commission determines it is unable to
11 or cannot feasibly disburse shall be transferred to the general fund of the state of Arizona.

12 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondent Resa Wearables
13 shall pay an administrative penalty in the amount of \$15,000 as a result of the conduct set forth in
14 the Findings of Fact and Conclusions of Law. Payment is due in full on the date of this Order.
15 Payment shall be made to the "State of Arizona." Any amount outstanding shall accrue interest as
16 allowed by law.

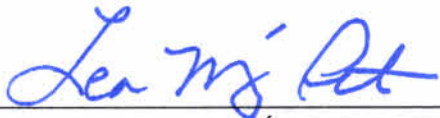
17 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondent Hinshaw shall
18 pay an administrative penalty in the amount of \$15,000 as a result of the conduct set forth in the
19 Findings of Fact and Conclusions of Law. Payment is due in full on the date of this Order. Payment
20 shall be made to the "State of Arizona." Any amount outstanding shall accrue interest as allowed by
21 law.

22 IT IS FURTHER ORDERED that payments received by the state of Arizona shall first be
23 applied to the restitution obligation. Upon payment in full of the restitution obligation, payments
24 shall be applied to the penalty obligation.

1 IT IS FURTHER ORDERED, that if a Respondent fails to comply with this order, the
2 Commission may bring further legal proceedings against that Respondent, including application to
3 the superior court for an order of contempt.

4 IT IS FURTHER ORDERED that this Order shall become effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

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8 CHAIRWOMAN MÁRQUEZ PETERSON



COMMISSIONER KENNEDY

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11 COMMISSIONER OLSON



COMMISSIONER TOVAR



COMMISSIONER O'CONNOR



17 IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT,
18 Executive Director of the Arizona Corporation Commission,
19 have hereunto set my hand and caused the official seal of the
20 Commission to be affixed at the Capitol, in the City of Phoenix,
21 this 18 day of May, 2021.



22 MATTHEW J. NEUBERT
23 EXECUTIVE DIRECTOR

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25
26

DISSENT

DISSENT

This document is available in alternative formats by contacting Carolyn D. Buck, ADA Coordinator, voice phone number (602) 542-3931, e-mail cdbuck@azcc.gov.

(PSK)

CONSENT TO ENTRY OF ORDER

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2 1. Respondents Resa Wearables, Inc. and Glen D. Hinshaw ("Respondents") admit the
3 jurisdiction of the Commission over the subject matter of this proceeding. Respondents acknowledge
4 that Respondents have been fully advised of Respondents' right to a hearing to present evidence and
5 call witnesses, and Respondents knowingly and voluntarily waive any and all rights to a hearing
6 before the Commission and all other rights otherwise available under Article 11 of the Securities Act
7 and Title 14 of the Arizona Administrative Code. Respondents acknowledge that this Order to Cease
8 and Desist, Order for Restitution, and Order for Administrative Penalties and Consent to Same
9 ("Order") constitutes a valid final order of the Commission.

10 2. Respondents knowingly and voluntarily waive any right under Article 12 of the
11 Securities Act to judicial review by any court by way of suit, appeal, or extraordinary relief resulting
12 from the entry of this Order.

13 3. Respondents acknowledge and agree that this Order is entered into freely and
14 voluntarily and that no promise was made or coercion used to induce such entry.

15 4. Respondents have been represented by attorneys in this matter, Respondents have
16 reviewed this order with their attorneys, Gregory W. Seibt and Alexandra Mijares Nash of Rutila,
17 Seibt & Nash PLLC, and understand all terms it contains. Respondents acknowledge that their
18 attorneys have apprised them of their rights regarding any conflicts of interest arising from dual
19 representation. Respondents acknowledge that they have each given their informed consent to such
20 representation.

21 5. Respondents neither admit nor deny the Findings of Fact and Conclusions of Law
22 contained in this Order. Respondents agree that Respondents shall not contest the validity of the
23 Findings of Fact and Conclusions of Law contained in this Order in any present or future proceeding
24 in which the Commission is a party.

25 6. Respondents further agree that they shall not deny or contest the Findings of Fact and
26 Conclusions of Law contained in this Order in any present or future: (a) bankruptcy proceeding, or

1 (b) non-criminal proceeding in which the Commission is a party (collectively, "proceeding(s)").
2 They further agree that in any such proceedings, the Findings of Fact and Conclusions of Law
3 contained in this Order may be taken as true and correct and that this Order shall collaterally estop
4 them from re-litigating with the Commission or any other state agency, in any forum, the accuracy
5 of the Findings of Fact and Conclusions of Law contained in this Order. In the event Respondent
6 Glen D. Hinshaw pursues bankruptcy protection in the future, he further agrees that in such
7 bankruptcy proceeding, pursuant to 11 U.S.C. § 523(a)(19), the following circumstances exist:

8 A. The obligations incurred as a result of this Order are a result of the conduct set forth
9 in the Findings of Fact and Conclusions of Law in the Order and are for the violation of Arizona
10 state securities laws, pursuant to 11 U.S.C. § 523(a)(19)(A)(i);

11 B. This Order constitutes a judgment, order, consent order, or decree entered in a state
12 proceeding pursuant to 11 U.S.C. § 523(a)(19)(B)(i), a settlement agreement entered into by
13 Respondent Glen D. Hinshaw pursuant to 11 U.S.C. § 523(a)(19)(B)(ii), and a court order for
14 damages, fine, penalty, citation, restitution payment, disgorgement payment, attorney fee, cost or
15 other payment owed by Glen D. Hinshaw pursuant to 11 U.S.C. § 523(a)(19)(B)(iii).

16 7. By consenting to the entry of this Order, Respondents agree not to take any action or
17 to make, or permit to be made, any public statement denying, directly or indirectly, any Finding of
18 Fact or Conclusion of Law in this Order or creating the impression that this Order is without factual
19 basis.

20 8. While this Order settles this administrative matter between Respondents and the
21 Commission, Respondents understand that this Order does not preclude the Commission from
22 instituting other administrative or civil proceedings based on violations that are not addressed by this
23 Order.

24 9. Respondents understand that this Order does not preclude the Commission from
25 referring this matter to any governmental agency for administrative, civil, or criminal proceedings
26 that may be related to the matters addressed by this Order.

10. Respondents understand that this Order does not preclude any other agency or officer of the state of Arizona or its subdivisions from instituting administrative, civil, or criminal proceedings that may be related to matters addressed by this Order.

11. Respondents agree that Respondents will not apply to the state of Arizona for registration as a securities dealer or salesman or for licensure as an investment adviser or investment adviser representative until such time as all restitution and penalties under this Order are paid in full.

12. Respondents agree that Respondents will not exercise any control over any entity that offers or sells securities or provides investment advisory services within or from Arizona until such time as all restitution and penalties under this Order are paid in full.

13. Respondents consent to the entry of this Order and agree to be fully bound by its terms and conditions.

14. Respondents acknowledge and understand that if Respondents fail to comply with the provisions of Order or this consent, the Commission may bring further legal proceedings against Respondents, including application to the superior court for an order of contempt.

15. Respondents understand that default shall render Respondents liable to the Commission for its costs of collection, including reasonable attorneys' fees and interest at the maximum legal rate.

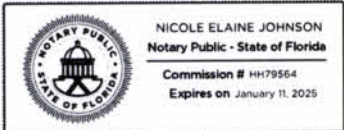
16. Respondents agree and understand that if Respondents fail to make any payment as required in the Order, any outstanding balance shall be in default and shall be immediately due and payable without notice or demand. Respondents agree and understand that acceptance of any partial or late payment by the Commission is not a waiver of default by the Commission.

17. Respondent Glen D. Hinshaw represents that he is Chief Executive Officer of Resa Wearables, Inc. and has been authorized by Resa Wearables, Inc. to enter into this Order for and on behalf of it.

Glen Dale Hinshaw
Glen D. Hinshaw

1 STATE OF Florida)
2) ss
3 County of Duval)

4 SUBSCRIBED AND SWORN TO BEFORE me this 13th day of April 2021,



Nicole Elaine Johnson

NOTARY PUBLIC

Online Notary Nicole Elaine Johnson

Notarized online using audio-video communication

PASSPORT HH79564

Resa Wearables, Inc.

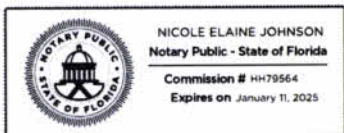
Glen Dale Hinshaw

By Glen D. Hinshaw

Its Chief Executive Officer

13 STATE OF Florida)
14) ss
15 County of Duval)

16 SUBSCRIBED AND SWORN TO BEFORE me this 13th day of April 2021,



Nicole Elaine Johnson

NOTARY PUBLIC

Nicole Elaine Johnson Online Notary

HH79564 PASSPORT

Notarized online using audio-video communication

19 My commission expires:

20 01/11/2025

SERVICE LIST FOR: RESA WEARABLES, INC. *et al.*

Gregory Seibt
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Attorney for Respondents